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PROVIDER BULLETIN

Update H200-08-01

DATE: March 28, 2008

TO: Participating Hospitals: Chief Executive Officers, Chief Financial Officers,
and Patient Accounts Managers

RE: Changes to Cost Outlier Payment Calculation

The purpose of this bulletin is to advise hospitals of changes in the cost outlier payment calculation, and new policy regarding outlier payments to children's hospitals.

Cost Outlier Payment Calculation

As a result of recent emergency amendments to 89 Ill. Admin. Code Section 152, the cost outlier payment calculation for admissions occurring on and after January 1, 2008, will change. An explanation of how the change impacts hospitals reimbursed by DRG and per diem reimbursement methodologies is provided below.

- **For DRG-reimbursed hospital services** with admissions on and after January 1, 2008, the Specific Fixed Loss Threshold used in the cost outlier payment calculation will be multiplied by 1.64. The DRG Payment Calculation Worksheet in Appendix H-22f, [Page 4], of the Handbook for Hospitals has been updated to reflect the new multiplier.
- **For per diem-reimbursed hospital services** with admissions on and after January 1, 2008, a marginal cost payment factor of 0.17 will be used in the outlier payment calculation. The outlier payment calculation worksheet for per diem-reimbursed hospitals in Appendix H-22f, [Pages 4a and 4b], of the Handbook for Hospitals has been updated to reflect the new factor.

Children's Hospitals

As a result of a recent emergency amendment to 89 Illinois Administrative Code Section 148.130, children's hospitals, as defined in 89 Illinois Administrative Code Section 149.50(c)(A), are now eligible to receive outliers on claims for children through the age of 18.

Implementation

The department is currently in the process of programming the above outlier changes. After the new programming is implemented, the department will determine what claim adjustments are necessary, and adjust any affected paid claims containing admission dates beginning January 1, 2008, up to the implementation date.

This bulletin and the replacement handbook pages may be obtained from the department's Web site at: <<http://www.hfs.illinois.gov/hospitals/>>. The revisions in the replacement pages are identified by an "=" to the left of the affected text. Paper copies of the revised pages may be obtained by written request. To ensure delivery, you must specify a physical street address when requesting a paper copy.

You may submit your written request to the address below, or fax or e-mail it as noted:

Healthcare and Family Services
Provider Participation Unit
Post Office Box 19114
Springfield, Illinois 62794-9114
Fax Number: (217) 557-8800 / E-Mail Address: hfs.ppu@illinois.gov

Providers wishing to receive e-mail notification, when new provider information has been posted by the department, may register at the following HFS Web site:

<http://www.hfs.illinois.gov/provrel>

Electronic claim submission via the Internet is available by registering on the department's Medical Electronic Data Interchange, Internet Electronic Claims (MEDI/IEC) System at: <<http://www.myhfs.illinois.gov/>>. The MEDI/IEC System is available to enrolled providers and their authorized staff, claim submitting agents and payees. During the registration process, you will be given access to specific claim formats based upon your enrollment status with the department.

Instructions for updating the Handbook for Hospitals:

Remove appendix Page H-22f (4) dated July 2006 and replace with the updated Page (4) dated January 2008.

Remove appendix Pages H-22f (4a) and (4b) dated July 2006 and replace with the updated Pages (4a) and (4b) dated January 2008.

Length-of-stay Outlier
Admissions 07/01/95 and After

- [1] DRG code (from claim): _____
If the DRG code is within the range of 424-432, then **STOP**. The claim is not subject to reimbursement for length-of-stay outliers.
- [2]= Length-of-stay (covered days) _____
- [3] DRG outlier cut-off threshold (OCT) (from Table B) _____
- [4] Outlier days (line [2] - line [3]) _____
If the result in [4] is less than or equal to zero, then **STOP**.
The claim is not subject to reimbursement for length-of-stay outliers. Go to line [10] and enter zero (0).
- [5] DRG federal portion (from Table A, item 6) times
DRG weight (from Page 1, line 5) _____
- [6] Geometric mean length-of-stay (GLOS) (from Table B) _____
- [7] DRG base price per diem (line [5] divided by [6]) _____
- [8] Marginal cost factor: _____ 0.47
- [9] Multiply (line [7] x line [8]) _____
- [10] Day outlier payment (line [4] x line [9]) _____

Carry the final figure from line [10] over to Page 1 line [9] of the DRG Payment Calculation Worksheet.

Cost Outlier for DRG-Reimbursed Hospitals
=Admissions On and After 12/03/01

| | | |
|------|---|-------------------|
| [1] | DRG code (from paid claim): _____ | |
| [2] | Total charges | _____ |
| [3] | Noncovered charges | _____ |
| [4] | Net charges (line [2] - line [3]) | _____ |
| [5] | IME factor (from Table A, item 18) | _____ |
| [6] | IME adjusted charges (line [4] divided by line [5]) | _____ |
| [7] | Cost to charge ratio (from Table A, item 3) | _____ |
| [8] | Net covered cost (line [6] x line [7]) | _____ |
| [9] | Federal rate (from Table A, item 6) | _____ |
| [10] | DRG relative weighting factor (from Page 1, line 5) | _____ |
| [11] | National DRG rate (line [9] x line [10]) | _____ |
| [12] | Specific fixed loss threshold (Table A, item 17) | |
| | <ul style="list-style-type: none"> ● for admissions 12/03/01 through 06/30/05 - x 1.22 ● for admissions 07/01/05 through 06/30/06 - x 1.40 | _____ |
| = | <ul style="list-style-type: none"> ● for admissions 07/01/06 through 12/31/07 - x 1.47 | _____ |
| = | <ul style="list-style-type: none"> ● for admissions 01/01/08 and after - x 1.64 | _____ |
| [13] | Cost outlier threshold (line [11] plus line [12]) | _____ |
| [14] | Gross outlier cost (line [8] - line [13]) If the result in [14] is less than or equal to zero, then STOP . The claim is not subject to reimbursement for cost outliers. Go to line 16 and enter zero (0). | _____ |
| [15] | Marginal cost factor (effective 1/1/95) | _____ <u>0.80</u> |
| [16] | Cost outlier adjustment (line [14] x line [15]) | _____ |

Carry the final figure from line [16] over to Page 1 line [10] of the DRG Payment Calculation Worksheet.

Outlier Adjustment Calculation for Per Diem Priced Claims

=For a disproportionate share provider to qualify for an outlier, the patient must be under age six. For a non-disproportionate share provider, the patient must be under age one. For a children's hospital as defined in 89 Illinois Administrative Code Section 149.50(c)(3)(A), the patient must be under the age of 19 with a date of admission on or after January 1, 2008.

Provider information needed:

*daily per diem rate; *daily disproportionate share rate; *daily MHVA rate; *daily MPA rate; outlier standard deviation amount (in effect on admission date); outlier cost-to-charge ratio (in effect on admission date)

Claim information needed:

total covered charges; total covered days

*If the date of service crosses a rate period where there is a rate change, you will have to do steps 5 through 11 twice (one calculation for each rate period) and then add them together.

[1] Outlier standard deviation \$ _____

[2] Total covered charges \$ _____

Compare total covered charges to the outlier standard deviation. If total covered charges are less than the outlier standard deviation, then **stop**. The claim is not eligible for outlier consideration. If total covered charges are greater than the standard deviation, proceed to step 3.

[3] Outlier cost-to-charge ratio _____

[4] Multiply line 2 times line 3 \$ _____

[5] Per diem rate \$ _____

[6] Disproportionate share rate \$ _____

[7] MHVA rate \$ _____

[8] MPA rate \$ _____

[9] Total of lines 5, 6, 7, and 8 \$ _____

[10] Number of covered days _____

[11] Multiply line 9 times line 10 \$ _____

[12] Line 4 total minus line 11 total \$ _____

[13]= If step 12 total is zero or less, **stop**. The claim is not eligible for an outlier. If step 12 is greater than zero, then take step 12 total

multiplied by the applicable factor below:

- **For admissions between December 3, 2001 and June 30, 2005:**
X .22 (factor .22 is used for all hospitals) Outlier Amount Due \$ _____
- **For admissions between July 1, 2005 and June 30, 2006:**
X .20 (factor .20 is used for all hospitals) Outlier Amount Due \$ _____
- **For admissions between July 1, 2006 and December 31, 2007:**
X .18 (factor .18 is used for all hospitals) Outlier Amount Due \$ _____
- **For admissions on and after January 1, 2008:**
X .17 (factor .17 is used for all hospitals) Outlier Amount Due \$ _____

EXAMPLE

| Provider information: | | Claim information: | |
|------------------------------------|-------------|---------------------------|--------------|
| *daily per diem rate | \$ 1,219.11 | total covered charges | \$152,564.09 |
| *daily disproportionate share rate | \$ 60.60 | total covered days | 45 |
| *daily MHVA rate | \$ 87.38 | | |
| *daily MPA rate | \$ 52.40 | | |
| outlier standard deviation amount | \$52,682.40 | | |
| outlier cost-to-charge ratio | .50 | | |

[1] Outlier standard deviation \$ 52,682.40

[2] Total covered charges \$ 152,564.09

Compare total covered charges to the standard deviation. If total covered charges are less than the outlier standard deviation, then **stop**. The claim is not eligible for outlier consideration. If total covered charges are greater than the standard deviation, proceed to step 3.

[3] Outlier cost-to-charge ratio .50

[4] Multiply line 2 times line 3 \$ 76,282.05

[5] Per diem rate \$ 1,219.11

[6] Disproportionate share rate \$ 60.60

[7] MHVA rate \$ 87.38

[8] MPA rate \$ 52.40

[9] Total of lines 5, 6, 7, and 8 \$ 1,419.49

[10] Number of covered days 45

[11] Multiply line 9 times line 10 \$ 63,877.05

[12] Line 4 total minus line 11 total \$ 12,405.00

[13]= If step 12 total is zero or less, **stop**. The claim is not eligible for an outlier. If step 12 is greater than zero, then take step 12 total multiplied by the applicable factor below:

● **For admissions between December 3, 2001 and June 30, 2005:**

X .22 (factor .22 is used for all hospitals): Outlier Amount Due \$ 2,729.10

● **For admissions between July 1, 2005 and June 30, 2006:**

X .20 (factor .20 is used for all hospitals): Outlier Amount Due \$ 2,481.00

● **For admissions between July 1, 2006 and December 31, 2007:**

X .18 (factor .18 is used for all hospitals): Outlier Amount Due \$ 2,232.90

● **For admissions on and after January 1, 2008:**

X .17 (factor .17 is used for all hospitals): Outlier Amount Due \$ 2,108.85